



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB5323

by Rep. Jack D. Franks

SYNOPSIS AS INTRODUCED:

New Act
30 ILCS 105/5.855 new

Creates the Pay It Forward, Pay It Back Act. Establishes a program to provide loans to eligible students to attend an institution of higher learning in this State that are to be repaid, in part, according to the income of the student borrowers. Sets forth the Pay It Forward, Pay It Back Program Fund where moneys in the fund shall be kept for the sole purpose of awarding program loans under the Act. Provides that the Department of Revenue shall administer the program and by rule develop the loan application process. Sets forth provisions governing loan repayment. Requires the Department to submit an annual report to the General Assembly. Amends the State Finance Act to create the Pay It Forward, Pay It Back Program Fund. Effective immediately.

LRB098 16867 OMW 51940 b

FISCAL NOTE ACT
MAY APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the Pay It
5 Forward, Pay It Back Act.

6 Section 5. Definitions. As used in this Act:

7 "Borrower" means a person who has been awarded and accepts
8 a program loan under this Act.

9 "Covered tuition" means the total sum charged for the
10 credits required for attendance at an institution of higher
11 learning for a full-time undergraduate academic period.
12 "Covered tuition" includes fees and other charges customarily
13 imposed on all students, but does not include charges for room
14 and board, books, or supplies.

15 "Department" means the Department of Revenue.

16 "Eligible student" means a person who is a resident of this
17 State and has been accepted to or enrolled in an institution of
18 higher learning.

19 "Fund" means the Pay It Forward, Pay It Back Program Fund.

20 "Institution of higher learning" has the meaning ascribed
21 to it in Section 10 of the Higher Education Student Assistance
22 Act.

23 "Program" means the Pay It Forward, Pay It Back Program

1 established under this Act.

2 "Program loan" means a loan awarded by the Department to an
3 eligible student under the program.

4 Section 10. Pay It Forward, Pay It Back Program.

5 (a) The Pay It Forward, Pay It Back Program is established
6 to provide loans to eligible students under this Act. These
7 loans are to be repaid, in part, according to the income of the
8 eligible students.

9 (b) The Pay It Forward, Pay It Back Program Fund is
10 established in the State Treasury. The moneys in the Fund shall
11 be appropriated on a continuing basis to the Department for the
12 sole purpose of awarding program loans under this Act. The Fund
13 shall consist of the funds deposited according to subsection
14 (c) of this Section, the repayment of program loans, interest
15 earned on the moneys in the Fund, and other funds appropriated
16 or made available to the Fund.

17 (c) The Pay It Forward, Pay It Back Program shall be funded
18 by redirecting 75% of General Assembly's appropriation to the
19 Department of Commerce and Economic Opportunity for awarding
20 tax credits under the Economic Development for a Growing
21 Economy Tax Credit Act and depositing that amount into the Pay
22 It Forward, Pay It Back Program Fund.

23 (d) An eligible student may submit an application to the
24 Department for a program loan. Loans shall only be issued from
25 available funds. The application shall be in such form as

1 required by the Department and shall include family income and
2 such other information as required by the Department. The
3 Department shall review the application and, if satisfied that
4 the applicant is an eligible student and is not ineligible for
5 loan assistance under subsections (a) and (b) of Section 35 of
6 the Higher Education Student Assistance Act, shall award a
7 program loan to the applicant.

8 (e) If demand for program loans exceed available funding,
9 then priority shall be given to those applicants with the
10 highest levels of academic achievement and who belong to the
11 lowest income demographic. The process for determining
12 priority shall be established by the Department by rule.

13 (f) The amount of a program loan shall be:

14 (1) if the family income of the eligible student is
15 below 300% of the federal poverty level, 100% of covered
16 tuition;

17 (2) if the family income of the eligible student is
18 between 300% and 450% of the federal poverty level, 66% of
19 covered tuition; or

20 (3) if the family income of the eligible student is
21 between 450% and 600% of the federal poverty level, 33% of
22 covered tuition.

23 (g) The Department may not charge interest on a program
24 loan.

25 (h) By accepting a program loan, an eligible student shall
26 agree to repay the amount of the program loan, plus a default

1 insurance premium amount to be determined by the Department
2 subject to the following:

3 (1) Repayment shall commence not later than 36 months
4 after the eligible student graduates from the institution
5 of higher learning or becomes employed full time, whichever
6 occurs first. The 36-month period may be extended by the
7 Department if the borrower can demonstrate to the
8 satisfaction of the Department that the borrower has made a
9 good faith effort to obtain full-time employment, but has
10 been unable to do so. The duration of the extension shall
11 be determined at the sole discretion of the Department.

12 (2) The monthly amount required to be repaid shall be
13 based on the repayment schedule that the Department shall
14 by rule develop.

15 (3) If at any time during the repayment period the
16 borrower leaves the work force, except in the case of a
17 disability, the monthly amount required to be repaid shall
18 be based on one-half of the estimated annual taxable income
19 of the borrower that is reportable to the Department,
20 subject to the limitation specified in item (2) of this
21 subsection.

22 (4) Monthly payments shall continue until the borrower
23 has fully paid the amount of the program loan and the
24 default insurance premium amount.

25 (5) The Department may defer repayment during any time
26 period that the borrower is enrolled full-time or part-time

1 in a postgraduate degree program at an institution of
2 higher learning.

3 (6) Award recipients who either leave or are dismissed
4 from the institution of higher learning prior to graduation
5 shall pay to the State the amount borrowed under the
6 program together with interest of 5% per year on that
7 amount.

8 (i) To administer the program, the Department may exercise
9 the same powers of collection as otherwise authorized by law.

10 (j) The Department shall forgive the repayment of a program
11 loan if the borrower dies or becomes disabled.

12 (k) The Department may establish and administer, or
13 contract with a third party to do so, a default insurance plan
14 for program loans in which eligible students have defaulted on
15 repayment of their program loans.

16 (l) The Department shall submit an annual report to the
17 General Assembly. The report shall describe the financial
18 stability of the fund and student success metrics utilized,
19 both for initiated loan awards and loan continuances within the
20 program. The Board of Higher Education shall submit an annual
21 report to the General Assembly that is based upon the annual
22 report provided by the Department and that contains
23 recommendations to improve student outcomes.

24 Section 500. The State Finance Act is amended by adding
25 Section 5.855 as follows:

1 (30 ILCS 105/5.855 new)

2 Sec. 5.855. The Pay It Forward, Pay It Back Program Fund.

3 Section 999. Effective date. This Act takes effect upon
4 becoming law.